# PROCEEDINGS OF THE BOARD OF ESTIMATE AND TAXATION

Regular Meeting - November 11, 2009
Wednesday is a holiday
therefore meeting November 12, 2009
Thursday, City Hall
and is
Rescheduled to November 18, 2009
Wednesday, City Hall Room 103
AT 4:30 p.m.

The meeting was called to order by President Schwimmer at 4:00 p.m. Present: Fine, Johnson, Ostrow, Becker, Schwimmer.

Absent: Rybak.

### OLD BUSINESS.

Internal Audit transition status - Bjorklund update

Fine moved that the Board authorize travel expenses in accordance with the Board's travel policy for the purpose of final interviews. Seconded by Becker. After discussion. Adopted. Yeas - Fine, Johnson, Ostrow, Becker, Schwimmer - 6. Nay - none.

Update on the interviews by Becker.

Mr Wagenius from the Mayor's office presented the Board with a joint memo dtd November 18, 2009 (attached) that express intent to change the Ordinance relation to the Internal Audit function and it's reporting relationship in the governance structure of the City.

Johnson then moved that based on this information that the Board place on temporary hold the final interview and hiring process relating to the position pending the outcome. Seconded by Ostrow. After discussion. Adopted. Yeas Johnson, Ostrow, Schwimmer - 3. Nays Becker - 1. Abstaining Fine - 1.

### REPORTS.

The secretary went over the following reports with the Board:

R1. Sale report on the \$ 6,125,000 General Obligation Refunding Bonds St. Thomas/WMEP Parking Ramp. Sale Monday November 9, 2009.

Low and winning bid was received from Morgan Stanley & CO. Inc. at a purchase price of \$ 6,292,643.00 with a net interest cost of \$2,311,959.78 and a true interest rate of 3.6158%; interest rates of 2.50% from 2010-2013, 4.00% from 2022-2023, and 4.25% for 2024. (see resolution)

2nd place bid was received from Piper Jaffray & CO. at a purchase price of \$ 6,245,020.50 with a net interest cost of \$2,326,973.94 and a true interest rate of 3.6676%; interest rates of 3.00% from 2010-2013, 4.00% and from 2022-2024.

3rd place bid was received from Robert W. Baird & Company, Incorported, Fidelity Capital Market Services, Davenport & Company LLC, C.L. King & Associates, Charles Schwab & Company, Loop Capital Markets, LLC, SAMCO Capital Markets, Inc., Kildare Capital, Edward D. Jones & Company, William Blair & Company, Crews & Associates at a purchase price of \$ 6,185,402.75 with a net interest cost of \$2,340,141.69 and a true interest rate of 3.7010%; interest rates of 2.00% from 2010-2013, and 4.00% from 2022-2024.

4th place bid was received from Cronin & Company, Inc., Wells Fargo Brokerage Services, LLC., and Wells Fargo Advisors at a purchase price of \$ 6,208,395.75 with a net interest cost of \$2,362,598.69 and a true interest rate of 3.7412%; interest rates of 3.00% from 2010-2013, and 4.00% from 2022-2024.

R2. Sale report on the \$ 40,295,000 General Obligation Various Purpose Refunding Bonds. Sale Monday November 9, 2009.

Low and winning bid was received from Merrill Lynch & CO, at a purchase price of \$43,383,035.19 with a net interest cost of \$5,900,035.14 and a true interest rate of 2.4502%; interest rates of 2.00% in 2010, 3.00% in 2011, and 4.00% from 2012-2029. (see resolution)

2nd place bid was received from J.P. Morgan Securities Inc., at a purchase price of \$ 45,353,551.30 with a net interest cost of \$ 6,148,347.03 and a true interest rate of 2.4691%; interest rates of 3.00% from 2010-2011, and 5.00% and from 2012-2029.

3rd place bid was received from Robert W. Baird & Company, Incorported, Fidelity Capital Market Services, Davenport & Company LLC, C.L. King & Associates, Charles Schwab & Company, Loop Capital Markets, LLC, SAMCO Capital Markets, Inc., Kildare Capital, Edward D. Jones & Company, William Blair & Company, Crews & Associates at a purchase price of \$ 42,605,540.49 with a net interest cost of \$ 6,007,622.84 and a true interest rate of 2.5153%; interest rates of 2.00% from 2010-2013, 3% in 2014 and 4.00% from 2015-2029.

4th place bid was received from Wachovia Bank, National Association, Cronin & Company, Inc. at a purchase price of \$ 45,364,506.25 with a net interest cost of \$ 6,289,506.25 and a true interest rate of 2.5297%; interest rates of 4.00% in 2010, and 5.00% from 2011-2029.

5th place bid was received from Hutchinson, Shockey, Erley & CO. at a purchase price of \$ 41,175,114.33 with a net interest cost of \$ 5,919,279.75 and a true interest rate of 2.5340%; interest rates of 2.00% from 2010-2013, 2.50% in 2014, 3.00% from 2015-2017, 3.10% in 2018, 3.25% in 2019, 3.40% in 2020, 3.50% from 2021-2022, 3.75% from 2023-2024, and 4.00% from 2025-2029.

6th place bid was received from Piper Jaffray & CO. at a purchase price of \$42,499,423.23 with a net interest cost of \$6,121,539.69 and a true interest rate of 2.5683%; interest rates of 2.00% from 2010-2011, 2.25% in 2012, 2.50% from 2013-2014, and 4.00% and from 2015-2029.

7th place bid was received from Morgan Stanley & CO. Inc. at a purchase price of \$43,092,019.81 with a net interest cost of \$6,191,428.52 and a true interest rate of 2.5837%; interest rates of 2.00% in 2010, 3% in 2011, and 4.00% from 2012-2029.

- R3. General Obligation variable interest rates for week starting November 4, 2009 and November 11, 2009.
- R4. Estimated TNT Tax Impacts various home values for pay 2010.

### ADJOURNMENT.

Motion to adjourn by Johnson. Seconded by Fine. Adopted. Meeting adjourned at 5:15.

### ADDENDUM DATED NOVEMBER 10, 2009 TO OFFICIAL STATEMENT DATED OCTOBER 30, 2009

R-1

REFUNDING ISSUE \$40,295,000

Moody's Rating: Aa1 Standard & Poor's Rating: AAA Fitch's Rating: AAA



## \$40,295,000 CITY OF MINNEAPOLIS, MINNESOTA GENERAL OBLIGATION VARIOUS PURPOSE REFUNDING BONDS, SERIES 2009B

(Book-Entry Only)

Schedule of Maturity Dates, Principal Amounts and Interest Rates

Maturity (December 1)	Amount	Interest Rate	<u>Yield</u>	CUSIP 60374Y
2010	\$ 3,145,000	2.00%	0.40%	B71
2011	2,945,000	3.00%	0.75%	B89
2012	3,165,000	4.00%	1.08%	B97
2013	3,190,000	4.00%	1.47%	C21
2014	3,200,000	4.00%	1.86%	C39
2015	19,730,000	4.00%	2.24%	C47
2016	480,000	4.00%	2.49%	C54
2017	480,000	4.00%	2.72%*	C62
2018	480,000	4.00%	2.91%*	C70
2019	480,000	4.00%	3.06%*	C88
2020	380,000	4.00%	3.26%*	C96
2021	380,000	4.00%	3.41%*	D20
2022	380,000	4.00%	3.53%*	D38
2023	380,000	4.00%	3.65%*	D46
2024	380,000	4.00%	3.72%*	D53
2025	220,000	4.00%	3.80%*	D61
2026	220,000	4.00%	3.87%*	D79
2027	220,000	4.00%	3.94%*	D87
2028	220,000	4.00%	4.01%	D95
2029	220,000	4.00%	4.07%	E29

<sup>\*</sup>Priced to the first optional call date of December 1, 2016.

Merrill Lynch & Co., New York, NY has agreed to purchase the Bonds from the City for an aggregate price of \$43,383,035.14 plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about November 19, 2009.

### **Original Issue Premium**

The Bonds maturing on December 1, 2010 through December 1, 2027 have been sold with an original issue premium. Bondholders should consult their tax advisors regarding the tax consequences related to Bonds. See "Original Issue Premium" herein.

### Original Issue Discount

The Bonds maturing on December 1, 2028 and 2029 have been sold with an original issue discount. Bondholders should consult their tax advisors regarding the tax consequences related to Bonds. See "Original Issue Discount" herein.





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2018	480,000	4.00%	2.91%*	C70
2019	480,000	4.00%	3.06%*	C88
2020	380,000	4.00%	$3.26\%^*$	C96
2021	380,000	4.00%	3.41%*	D20
2022	380,000	4.00%	$3.53\%^*$	D38
2023	380,000	4.00%	$3.65\%^{*}$	D46
2024	380,000	4.00%	3.72%*	D53
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2026	220,000	4.00%	3.87%*	D79
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# Tax Changes to Residential Homestead Property from Payable 2009 to Proposed 2010

The tax parcels included in this sample are Residential Single Family Homesteads in the City of Minneapolis. It includes typical single family homes, townhomes and condominium units. Not included are cooperative units and multi-family dwellings. In addition, included tax parcels have a single use (commercial-residential multi-use properties are excluded) and have the same classification and homestead status in both payable 2009 and proposed 2010. Tax parcels with new improvements or those in a state of partial construction as of January 2, 2009 are also excluded.

-	21.25%		100		0.14%		100	0.14%	-
~	18.75%	21.25%	34	20.00%	0.05%		134	0.19%	2
67	16.25%	18.75%	20	17.50%	0.10%		204	0.29%	~
4	13.75%	16.25%	169	15.00%	0.24%	-	373	0.52%	4
S.	11.25%	13.75%	122	12.50%	0.17%	2.80%	495	0.70%	ιΩ
9	8.75%	11.25%	118	10.00%	0.17%		613	0.86%	9
~	6.25%	8.75%	181	7.50%	0.25%		794	1.12%	7
. 85	3.75%	6.25%	286	5.00%	0.40%		1080	1.52%	60
6	1.25%	3.75%	913	2.50%	1.28%		1,993	2.80%	6
	305 March		37,126	7.00.0			69	47220W	-01
Ξ	-3.75%	-1.25%	3,909	-2.50%	5.49%		32,044	45.03%	7
12	-6.25%	-3.75%	10,152	-5.00%	14.27%		28,135	39.54%	7
2	-8.75%	-6.25%	3,984	-7.50%	5.60%		17,983	25.27%	13
4	-11.25%	-8.75%	4,494	-10.00%	6.32%		13,999	19.67%	14
15	-13.75%	-11.25%	4,452	-12.50%	6.26%	707.26	9,505	13.36%	13
16	-16.25%	-13.75%	1,381	-15.00%	1.94%		5,053	7.10%	16
17	-18.75%	-16.25%	1,973	-17.50%	2.77%		3,672	5.16%	17
18	-21.25%	-18.75%	909	-20.00%	0.71%	000000000000000000000000000000000000000	1,699	2.39%	<b>æ</b>
9	-23.75%	-21.25%	570	-22.50%	0.80%	10000000000000000000000000000000000000	1,193	1.68%	6
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606				-17.50%
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		,		-10.00%
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				-5.00% -7.50%
				-2.50%
				0.00%
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				5.00%
66				7.50%
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				15.00%
				17.50% 15.00%
				20.00%
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39 8	× × ×	# #	<b>→</b> f	

71,163

Total Parcels



# Minneapolis City of Lakes

### Office of the Mayor

R. T. Rybak Mayor

350 South 5th Street - Room 331 Minneapolis MN 55415-1393

> Office 612 673-2100 Fax 612 673-2305 TTY 612 673-3187

### Memo

Date: November 18, 2009

From: Mayor Rybak, Council President Johnson, and Ways & Means

Chair Ostrow

To: Council Members

RE: Response to the Draft Report on the Internal Audit function -

Strengthening the Internal Audit

On October 28, 2009 the Internal Audit Review Committee presented a Draft Quality Assessment of the City's internal audit function which indicates serious deficiencies and recommends changes.

To ensure that taxpayer dollars are spent wisely, we must not rely on the State Auditor and a single internal auditor. We must strengthen the internal audit function by:

- 1. Expanding the number of Internal Auditors from one FTE to three FTEs two auditors and an auditor/supervisor.
- 2. Directing the City Coordinator to provide administrative oversight and support to a new Department of Internal Audit and the staff within it
- 3. Establishing a strengthened two track internal audit reporting process which addresses the dual concerns raised by the Internal Audit Review Committee that the City's internal audit function should preserve independence, but not be isolated from elected officials and city departments:
  - a. Audit reports of the Mayor's Office, City Council Offices, and Administrative Office of the City Coordinator should go to the Board of Estimate & Taxation for comment and recommendations.
  - b. Audit reports of all other city departments, offices and functions should go to an Audit Committee of three Council Members for comment and recommendations.
  - c. All audits reports will then go to the full City Council for corrective action and enforcement.
- 4. Directing the City Clerk's Office to provide clerical support to the Board of Estimate & Taxation to ensure that complete agendas and minutes of the Board are published in a timely manner in accordance with the Open Meeting Law.

We have asked the City Coordinator to take charge of this reform effort, which will include an amendment to the 2010 Budget currently under consideration and a change in city ordinance.

The need to act on this is urgent. We are in the process of hiring a successor to Bob Bjorklund, the auditor who just retired. In order to ensure that we get the best possible pool of applicants for the three audit positions described above, we must provide the assurance that these reforms will be made quickly. The City of Minneapolis deserves to compete for the best possible employees.

We encourage you to read the report from the Internal Audit Review Committee in its entirety. Among many valuable observations, the report indicates that incidents of fraud tend to increase in tough economic times.